



# **Compliance Audit Report Public Version**

**Fortis Energy Marketing & Trading GP (FEMT)  
[NCR05160]  
February 10, 2009**

**Confidential Information (including Privileged  
and Critical Energy Infrastructure Information)  
Has Been Removed**

**Final - March 09, 2009**

## Audit Overview

The WECC Compliance Department conducted an off-site compliance audit of the Fortis Energy Marketing & Trading GP (FEMT) on February 10, 2009. The off-site audit was conducted at the WECC Compliance Department offices at 615 Arapeen Drive, Suite 210, Salt Lake City, Utah.

FEMT personnel were notified at the start of the off-site audit and kept informed as the audit progressed. FEMT did not have personnel available at the WECC Offices but had personnel available via telephone during the audit and at the closing presentation.

At the time of the off-site audit, FEMT was registered for the following functions: Purchase Selling Entity (PSE).

FEMT has an Internal Compliance Program that was not reviewed in detail during the off-site audit.

The audit team used the Reliability Standard Audit Worksheets (QRSAs) during the compliance review of each reliability standard. No violations were identified by the audit team during this audit.

### ***Confidentiality and Conflict of Interest***

Confidentiality agreements, executed by the WECC independent contractors (consultants) and code of conduct documentation for the NERC representative and WECC compliance staff, were available to FEMT in advance of the off-site audit, if requested. Work history and conflict of interest forms submitted by each audit team member were also provided. FEMT was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with that audit team member's impartial performance of duties. FEMT accepted the audit team member participants with no objections.

### ***Off-site Audit***

FEMT was officially notified of the off-site audit with a 60-day Notice of Compliance Audit letter. Accompanying this notification were attachments relating to the audit as listed below:

- Pre-audit introduction letter
- Audit team bios
- Pre-audit questionnaire
- WECC Auditing, Monitoring and Reporting Requirements for 2009 NERC Standards.

FEMT was notified in the Pre-Audit letter that personnel (subject matter experts representing all the registered functions) would need to be available to answer questions (interviews) the audit team might have regarding the documentation.

FEMT was also informed that the off-site compliance audit would be conducted consistent with the following WECC Regional and NERC documents:

- WECC Compliance Monitoring and Enforcement Program
- NERC 2009 Reliability Standard Audit Worksheets (QRSAWS).

FEMT was asked to submit the completed questionnaire, and other requested documents to the WECC Compliance Department.

A pre-audit conference call was held by WECC compliance staff with all the Registered Entities scheduled for an off-site audit.

Professional judgment was used by the audit team during the off-site audit. The audit team leader may have requested interviews with employees representing subject matter expertise regarding the registered functions being audited. These interviews in conjunction with the evidence, gave the audit team a factual basis for determining compliance with the NERC reliability standards.

Reference - Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Reference - Generally accepted government auditing standard 3.39 - While this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

### ***Methodology***

Methodology: the auditing of reliability standards and best practices to be followed by compliance auditors in carrying out their work. The methodology is objective, measurable, complete and relevant to the audit objectives. The auditor identifies potential sources of audit evidence and considers the amount and type of evidence needed given the risk and significance when defining the audit methodology.

**Audit Specifics**

**Audit Team**

Audit Team Role	Title	Company
Lead	Sr. Compliance Engineer	WECC
Member	Sr. Compliance Engineer	WECC

**Registered Entity Audit Participants (Attending/Interviewed/Listening)**

Title	Audited Organization
Vice President Power Trading 24 – Hour Desk	FEMT
Director, General Counsel	FEMT
Managing Director, Power Trading	FEMT
Director, Compliance Officer	FEMT
Director, Power Trading EMA Desk	FEMT
Compliance Analyst	FEMT

**Findings**

The preliminary findings of the off-site audit were presented to FEMT at the closing presentation. These findings are indicated in Table A below. The “Finding” column contains one of the following: Compliant, Possible Violation (PV), New Possible Violation (NPV), Not Applicable (N/A), Not Audited, Outstanding Alleged Violation (OV), Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

**Table A**

Reliability Standard	Requirement	Finding
IRO-001-1	R1.	N/A
	R2.	N/A
	R3.	N/A
	R4.	N/A
	R5.	N/A
	R6.	N/A
	R7.	N/A
	R8.	Compliant
	R9.	N/A
	R1.	N/A
	R2.	N/A
	R3.	N/A

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R4.	N/A
	R5.	N/A
	R6.	N/A
	R7.	N/A
	R8.	N/A
	R9.	N/A
	R10.	N/A
	R11.	N/A
	R12.	N/A
	R13.	Compliant
	R14.	N/A
	R15.	N/A
	R16.	N/A
	R17.	N/A
VAR-001-1	R1.	N/A
	R2.	N/A
	R3.	N/A
	R4.	N/A
	R5.	Compliant
	R6.	N/A
	R7.	N/A
	R8.	N/A
	R9.	N/A
	R10.	N/A
	R11.	N/A
	R12.	N/A